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May 3, 1985

IRON AGE

MANUFACTURING MANAGEMENT

SERVICE CENTERS FACE GROWTH THE HARD WAY

ANNUAL STEEL/NONFERROUS FINANCIAL ANALYSIS

ADVANCED CERAMICS TOUGHEN UP THEIR ACT

SPECIAL INDUSTRIAL DEFENSE REPORT: CAN THE U.S. FORGING & CASTING INDUSTRIES CUT IT?

EX-IM'S I-MATCH: THE FIRE WITHIN

MAY 3, 1985 VOL. 228, NO. 9

IRON AGE

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IRON AGE (USPS 269-780) is published 24 times a year by CHILTON COMPANY, Chilton Way, Radnor, PA 19089. Chilton Co. is a division of American Broadcasting Companies, Inc., New York, N.Y. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. IRON AGE is sent on a controlled free basis to qualified managers in U.S. metalworking companies. All others: Manufacturing Management edition—$42 one year, $69 Canada/Foreign (24 issues); Metalsproducer U.S. edition—$24 one year (12 issues); Metalsproducer International edition—$27 one year (6 issues). Single copies, $2.50. Cable Chilton Philadelphia.
Send address changes to IRON AGE, P.O. Box 1440, Riverton, N.J. 08077.

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ANNUAL STEEL/NONFERROUS FINANCIAL ANALYSIS

The steel and nonferrous industries began their climb out of the depths of the recession, but there were, and still are, some hurdles along the route.

BY MICHAEL MARLEY AND ROBERT REGAN

STEEL

It's a long road back to profitability for the American steel industry—a road with its share of sharp turns and potholes, a road that stretches toward a dimly perceived horizon.

Most seem to be making the trek, if the figures listed on the subsequent pages of this year's Financial Analysis are any indication. Shipments in 1984 are up from the previous year's recession level. Operating profits are stronger and net incomes, while still in the red in some instances, are better than the year earlier' totals.

But it's a long road. Many in the industry learned or relearned that lesson last year. The first quarter saw orders rolling into the mills. Four the seven largest mills reported profits for the quarter compared with the year earlier period, when all were awash in red ink.

The economy was growing at a heady pace. Auto sales were on the rise. Some believed that the industry might one day look back at the first quarter of 1984 as the turning point in the industry's fortunes.

By the end of the second quarter, the road back had become steeper. By the third quarter, progress was reversed. Shipments had fallen from 20 million tons in the previous three-month span to 17 million tons. Imports were flowing in at a heavier pace and the service centers were cutting back on inventory.

Prices remained soft through much of the year, a trend that troubled many earlier when the shipment volume began to climb. Without some strength in the price sheets, there would be little to look forward to on the bottom line.

The fourth quarter brought some hope. The Reagan Administration announced its voluntary import program designed to limit foreign shipments to an estimated 18 pct of the domestic market. The industry, while embracing the long-sought after relief, seemed a bit sanguine about the prospects it held.

Most were cautious in their estimates of the Reagan program's impact on this year's shipments, warning that the market was still saturated with foreign steel. The long trek through three years of recession has altered expectations.

The first quarter seemed to hold out the promise that the plant closings and belt tightening of the previous year would begin to payoff. With breakeven points at what might be the lowest they have ever been, there was reason to expect a return to profitability. Unfortunately, it still lays somewhere out in the future.

NONFERROUS

For most of the nonferrous metals industry, 1984 was a year of trudging uphill against a soaring U.S. dollar. Low-priced imports proved formidable on many fronts: aluminum ingot and mill products, primary copper and copper and brass mill products, zinc and any number of metal-bearing finished products.

Domestic producer prices remained depressed by competitively-priced imports, as well as by unwieldy inventories and by overseas production seemingly spurred by access to the U.S. market and less responsive to generally supply-demand situations. The impact was quite evident in the profits (and losses) column, leaving the benefits of the 1983-84 business recovery confined to the sales column.

More recent softness of the dollar on international money markets contributed to firmer prices for copper and nickel early in the second quarter. In both cases, it also was a matter of declining inventories, particularly on the hedge markets, finally being allowed to make themselves felt.

For the U.S. copper producers, 1984 wasn't much to write home about. Consumption was up, but the producers lost another bid for import quotas and their foreign competitors displayed little inclination to trim production. The pattern of mine and smelter shutdowns continued well into 1985. Imports of copper and brass mill products soared, thereby cutting into available business for the domestic producers.

U.S. and Canadian aluminum producers were also hit by a double whammy last year. Base ingot prices were held down by a too-fast return to normal production levels, rising production in Australia and elsewhere, rising hedge market stocks and the soaring dollar. The latter also contributed to a sharp rise in shipments of mill products to U.S. markets that ran the gamut from common alloy items to can stock. Substantial ingot production cutbacks, mainly in the U.S., still weren't showing up in the aggregate producer inventory well into 1985.

Additional copies of the 1984 Steel/Nonferrous Metals Industries Financial Analysis may be obtained by writing Iron Age Readers Service Department, Chilton Way, Radnor Pa., 19089. Copies are $2 each. Enclose check or money order with your request.

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IRONAGE STEEL INDUSTRY FINANCIAL ANALYSIS

Company[1]	Year	Raw Steel Production Thousands of Net Tons	Steel Shipments Thousands of Net Tons	Net Sales & Operating Revenues 000 of $	Employment Costs 000 of $	Employment Costs as Percent of Sales	Operating Profit[2] 000 of $	Operating Profit as Percent of Sales	Depreciation Depletion and Amortization 000 of $	Provision for Federal Income Taxes 000 of $	Net Income 000 of $s	Net Income Percent of Sales	Invested Capital (is included funded debt payable after one year preferred and common stock surplus) 000 of $s	Net Income Percent of Investment[3]	Working Capital 000 of $s	Funded debt (Payable after one year 000 of $s	Interest Expense on Funded debt 000 of $s	Capital Expenditures 000 of $s	Stockholders' Equity[4] 000 of $s	Pct Return on Stockholders' Equity	Number of Common Shares Outstanding 000 of $	Common Stock 000 of $	Common Dividend Declared 000 of $	Number of Earnings Per Common Share	Dividends Per Common Share	Price Range Common Share	P/E Ratio	
1. United States Steel Corp.[5,6,7]	1984	15,100	12,100	19,104,000	3,320,000	17.4	3,287,000	17.2	1,241,000	566,000	493,000	2.6	13,497,000	11.2	541,000	6,261,000	1,019,000	947,000	5,972,000	8.3	107,193	2,144,000	106,000	3.52	1.00	33¼-22	9-6	1.
	1983	14,800	11,300	17,539,000	3,780,000	21.6	1,886,000	10.8	1,104,000	(62,000)	(1,161,000)	(6.6)	13,999,000	(2.2)	789,000	7,164,000	856,000	1,827,000	5,605,000	(20.7)	104,639	2,093,000	103,000	(12.07)	1.00	31-19⅝	(3)-(2)	
2. Bethlehem Steel Corp.	1984	12,166	8,925	5,392,100	2,169,900	40.2	288,600	5.4	282,600	18,000	(112,500)	(2.1)	2,422,300	—	147,300	1,265,300	111,700	309,000	1,157,000	(12.4)	46,544	566,200	27,900	(2.91)	.60	29½-14¼	—	2.
	1983	10,692	8,744	4,898,200	2,202,700	45.0	107,000	2.2	251,700	68,000	(163,500)	(3.3)	2,447,300	(2.8)	270,400	1,134,200	94,500	269,400	1,313,100	(14.1)	46,250	559,400	26,600	(3.92)	.60	28½-19	—	
3. LTV Corp.[8,9,10,11]	1984	9,971	8,265	7,046,100	2,176,000	30.9	39,000	0.6	194,000	(27,400)	(378,200)	(5.4)	3,728,800	(3.4)	576,500	2,226,900	250,600	205,500	1,366,200	(30.2)	83,186	821,462	12,180	(5.84)	.1875	19⅞-8⅞	(1.7)	2.
	1983	7,653	5,811	4,577,800	1,534,300	33.5	13,200	0.3	110,100	(13,500)	(180,700)	(4.0)	2,757,500	(0.9)	537,400	1,560,200	154,900	254,700	1,142,000	(16.0)	54,649	1,004,175	13,171	(3.64)	.25	19⅛-11⅝	(3.8)	
4. Inland Steel Co.	1984	6,479	4,994	3,324,838	1,006,690	30.3	166,814	5.0	126,688	6,123	(41,366)	(1.2)	1,981,492	1.1	339,523	834,324	62,292	185,104	1,147,168	—	25,054	351,572	12,533	(1.97)	.50	32¾-19⅞	—	4.
	1983	6,306	4,762	2,919,388	1,084,396	37.1	5,012	0.2	121,832	(68,377)	(116,900)	(4.0)	1,918,969	—	232,737	787,659	65,343	103,125	1,131,310	—	24,727	346,498	12,420	(4.76)	.50	35-24¾	—	
5. Armco Inc.[12,13]	1984	5,911	4,556	4,543,100	1,596,500	35.1	148,300	3.3	170,100	4,700	(295,000)	(6.5)	1,744,000	(11.5)	308,000	744,600	95,000	133,300	999,400	(25.8)	67,048	335,300	13,300	(4.55)	.20	23⅜-9	—	5.
	1983	5,787	4,324	4,164,600	1,643,200	39.5	(198,800)	(4.8)	195,500	(5,200)	(672,500)	(16.1)	2,120,900	(27.6)	562,600	832,000	87,500	149,200	1,288,900	(41.1)	66,245	331,300	32,900	(10.27)	.50	21¼-15⅞	—	
6. National Steel Corp.	1984	4,812	4,524	2,293,145	—	—	180,426	7.9	96,610	937	20,839	0.9	1,104,380	7.2	161,435	425,196	58,582	75,512	679,184	3.1	—	—	—	—	—	—	—	6.
	1983	4,576	4,034	2,021,625	—	—	94,035	4.7	108,339	(1,335)	(161,396)	(8.0)	1,118,675	(9.5)	60,875	460,330	55,224	49,165	658,345	(19.4)	—	—	—	—	—	—	—	
7. Weirton Steel Corp.[14,15]	1984	2,795	2,108	1,075,125	310,198	28.9	88,890	8.3	2,832	—	60,622	5.6	239,295	36.0	179,856	153,926	20,043	37,515	60,622	—	—	—	—	—	—	—	—	7.
	1983	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
8. Nucor Corp.	1984	1,725	1,518	660,260	142,895	21.6	114,977	17.4	28,899	34,000	44,548	6.7	342,835	14.2	152,920	43,232	4,222	26,075	299,603	16.0	14,113	24,567	5,082	3.16	.36	44¼-26	14.0-8.2	8.
	1983	1,575	1,441	542,531	118,693	21.9	81,429	15.0	27,110	19,700	27,864	5.1	303,861	10.6	105,402	45,731	4,458	19,617	258,130	11.4	14,044	22,561	4,217	1.98	.30	42⅜-30⅛	21.6-15.2	
9. Florida Steel Corp.[16]	1984	1,010	919	286,108	61,545	21.5	16,622	5.8	9,167	4,363	6,662	2.3	141,356	9.3	50,086	51,545	6,430	5,500	89,811	7.4	5,975	8,920	2,386	1.12	.40	25⅝-13	—	9.
	1983	752	718	235,109	56,826	24.2	6,771	2.9	9,362	4,600	(4,677)	(2.0)	143,444	1.4	47,805	58,353	6,685	5,052	85,091	5.5	5,965	8,476	2,385	(.78)	.40	30¼-11¾	—	
10. Chaparral Steel Corp.	1984	981	879	247,453	31,634	12.8	34,425	13.9	12,935	(5,532)	(8,509)	(3.4)	199,435	9.1	21,886	174,935	26,690	4,574	63,212	(13.5)	4,500	4,500	—	(1.89)	—	—	—	10.
	1983	884	769	212,876	34,373	16.2	23,661	11.1	14,381	(10,956)	(13,221)	(6.2)	184,966	6.6	8,126	171,966	25,336	320	60,219	(22.0)	4,500	4,500	—	(2.94)	—	—	—	
11. CF&I Steel Corp.[17,18,19,20,21]	1984	770	581	325,252	105,826	32.4	24,777	7.6	14,759	(13,399)	(28,146)	(8.7)	105,288	(25.1)	27,460	23,519	1,691	7,580	81,769	(34.4)	3,966	19,829	—	(7.10)	—	30-13	—	11.
	1983	614	501	231,093	97,450	42.2	(56,310)	(24.4)	38,483	(49,361)	(94,203)	(40.8)	134,377	(64.8)	(4,187)	24,463	7,119	19,547	109,914	(85.7)	3,966	19,829	—	(23.75)	—	28-21½	—	
12. Northwestern Steel & Wire Co.	1984	744	541	205,164	86,070	42.0	(30,459)	(14.8)	15,254	(14,229)	(34,296)	(16.7)	236,767	(13.3)	83,321	44,000	2,812	14,470	192,767	(16.3)	7,506	37,532	—	(4.57)	—	25⅞-14½	(6)-(3)	12.
	1983	417	408	167,690	81,793	48.8	(25,661)	(15.3)	14,803	(21,383)	(19,162)	(11.4)	237,063	(8.0)	85,898	10,000	81	15,615	227,063	(8.4)	7,506	37,532	2,252	(2.55)	.30	26⅜-15⅛	(10)-(6)	
13. Laclede Steel Co.	1984	721	494	228,924	77,483	33.8	17,236	7.5	3,590	4,497	7,409	3.2	101,520	9.0	56,750	24,295	1,740	5,517	77,225	9.6	2,704	54,329	—	2.74	—	17-13	6-5	13.
	1983	618	418	190,149	69,886	36.8	11,921	6.3	5,580	—	5,048	2.1	85,112	8.8	47,512	15,295	2,404	2,493	69,817	7.2	2,704	54,329	—	2.24	—	18-10	8-4	
14. Cyclops Corp.	1984	587	869	1,271,593	298,771	23.5	57,438	4.5	17,731	11,528	18,434	1.4	292,611	8.2	179,190	98,843	9,745	24,878	193,768	10.7	4,098	4,098	4,116	4.82	1.10	39⅜-27½	—	14.
	1983	549	790	1,024,114	269,827	26.4	18,975	1.9	17,849	(4,257)	(2,190)	(0.2)	265,282	0.3	142,131	92,597	7,573	21,223	172,685	(1.3)	3,877	3,877	3,880	(.72)	1.10	36½-19	—	
15. Interlake Inc.[22,23,24,25]	1984	576	437	845,087	260,424	30.8	101,011	12.0	22,325	31,793	36,551	4.3	478,790	8.8	164,336	112,898	10,128	22,843	323,264	11.5	5,467	74,470	14,095	6.68	2.60	51⅞-41	6.7	15.
	1983	518	378	763,549	239,618	31.4	70,347	9.2	21,780	14,276	22,824	3.2	475,877	6.0	202,860	115,994	10,370	15,829	327,401	7.1	5,834	90,917	15,060	3.94	2.60	44⅞-31¾	11.2	
16. Copperweld Corp.	1984	491	512	446,646	142,300	31.9	22,609	5.1	18,265	2,825	176	—	248,475	3.7	70,597	87,447	8,984	10,403	161,028	0.1	8,611	7,176	5,044	.24	.58	23¼-11⅝	—	16.
	1983	366	317	328,238	122,500	37.3	2,456	0.1	19,281	(21,484)	(24,268)	(7.5)	254,883	(6.1)	67,825	91,135	8,794	13,976	163,748	(14.5)	8,609	7,174	4,993	(2.90)	.58	21¾-15	—	
17. Lukens Inc.[26]	1984	483	—	416,384	—	—	38,214	9.2	19,343	3,780	4,701	1.1	195,643	7.7	40,118	69,798	10,390	17,086	125,845	3.8	5,165	3,180	2,066	.91	.40	16¾-10⅛	18.0-11.1	17.
	1983	429	—	342,855	—	—	5,712	1.7	19,699	(10,244)	(14,012)	(4.1)	208,036	(1.8)	47,689	84,598	10,269	8,575	123,438	(10.0)	5,155	3,180	2,070	(2.71)	.40	17½-11⅝	(6.5)-(4.3)	
18. Continental Steel Corp.	1984	403	—	125,010	—	—	(11,310)	(9.0)	(5,872)	—	(19,954)	(16.0)	70,421	(24.3)	14,654	52,250	2,772	22,930	15,877	(125.7)	22,758	66,434	—	(.92)	—	2⅞-½	—	18.
	1983	354	—	111,020	—	—	(3,532)	(3.2)	(5,077)	—	(9,938)	(8.9)	60,509	(14.2)	23,195	33,411	1,329	12,062	27,098	(36.6)	17,419	63,367	—	(.72)	—	3⅝-7/16	—	
19. Carpenter Technology[27] Corp.	1984	—	—	528,824	204,643	38.7	76,148	14.4	16,995	21,379	33,441	6.3	433,447	8.7	176,514	126,239	4,333	49,024	307,208	10.9	8,752	44,925	18,289	3.84	2.10	58½-42	11.0	19.
	1983	—	—	397,451	162,123	40.8	35,746	9.0	14,571	4,354	16,042	4.0	349,774	4.8	110,477	60,762	779	71,853	289,012	5.6	8,679	44,561	18,130	1.86	2.10	48-28	23.7	
20. Athlone Industries, Inc.	1984	—	—	281,935	—	—	25,251	9.0	5,282	3,223	6,048	2.1	153,659	11.8	60,527	99,007	12,087	8,738	54,651	11.1	2,399	240	3,831	2.15	1.60	28¾-18¾	7.6	20.
	1983	—	—	234,107	—	—	13,124	5.6	4,957	228	(493)	(0.2)	124,028	6.4	50,995	67,253	8,432	2,237	56,775	(0.9)	2,395	240	3,750	(.59)	1.60	26-16½	—	
GRAND TOTAL	1984	28	28	48,647,498	11,972,879	29	4,685,969	9.5	2,292,503	652,588	(185,540)	(0.4)	27,717,514	5.6	3,380,043	12,785,371	1,736,713	2,135,656	13,306,980	(1.4)	—	—	—	—	—	—	—	
	1983	28	28	40,902,205	11,497,685	29	2,091,086	5.1	2,094,250	(156,939)	(2,566,382)	(6.3)	27,189,556	(4.3)	3,388,740	12,809,747	1,407,096	2,860,989	13,109,046	(19.6)	—	—	—	—	—	—	—	
Percent Change 1983 to 1984[30]				—	—		—		—	—	—		—		—	—	—	—	—		—	—	—	—	—	—	—	

Footnotes

Parenthesis ( ) denotes loss or credit

1. Companies are ranked on the basis of raw steel produced in 1984.
2. Operating profit is income before depreciation, income taxes and interest on long-term debt.
3. Net income percent of investment is net income plus expense on funded debt divided by invested capital.
4. Stockholders' equity is total assets minus total liabilities.
5. USS—Net sales and operating revenue for 1983 have been reclassified for comparability to 1984.
6. USS—Invested capital includes long-term debt, notes payable, proceeds from production agreements, minority interest, preferred stock of consolidated subsidiary, preferred stock subject to mandatory redemption, and other preferred stock and common stockholders equity.
7. USS—Stockholders' equity includes preferred stock subject to mandatory redemption.
8. LTV—Raw steel production and steel shipments for 1984 include full year's totals for LTV Steel Co. and six months (beginning in July) totals from Republic Steel Corp., which merged with LTV in 1984.
9. LTV—Invested capital is defined as long-term portions of borrowings, leases, deferred income, deferred income taxes, minority interest, obligation to exchange debt for common stock, preferred stock with mandatory redemption and shareholders' equity.
10. LTV—Total value of common stock is determined by year-end market price ($9.875—1984; $18.375—1983) times outstanding shares of stock at year-end.
11. LTV—Amount reported last year for stockholders' equity during 1983 was incorrect.
12. Armco—Amount previously reported under operating profit for 1983 has been reduced $39,800 because Armco Financial Service Group (AFSG) now reported as discontinued.
13. Armco—Operating profit for both 1983 and 1984 includes special charges of $205,000 in 1984 and $296,700 in 1983 and excludes the discontinued operations.
14. Weirton—No data available for 1983. The corporation was a division of National Steel until April 30, 1983, the effective date of the sale of the division to an Employee Stock Ownership Plan (ESOP) established by the division's employees.
15. Weirton—No data available in 1984 for percent return on stockholders' equity, number of common shares outstanding, total value of common stock, common dividends declared, earnings per common share, dividends per common share, common stock price range and price/earnings ratio because no shares of stock were allocated under the ESOP.
16. Florida Steel—Fiscal year ends Sept. 30.
17. CF&I—Operating profit for 1984 does not include $74,831,000 write-off of tube mill nor the benefit (amounting to $24,959,000 net of taxes) of the cumulative effect on prior years of changing to straight-line depreciation.
18. CF&I—Net income for 1984 includes $74,831,000 write-off of tube mill and the benefit (amounting to $24,959,000 net of taxes) of the cumulative effect on prior years of changing to straight-line depreciation.
19. CF&I—Provision for Federal income taxes in 1984 does not include $21,261,000 netted in cumulative effect on prior years of changing to straight-line depreciation.
20. CF&I—Operating profit for 1983 does not include provision of $45,264,000 for restructuring of operations.
21. CF&I—Net income in 1983 includes a pre-tax provision of $45,264,000 for restructuring of operations.
22. Interlake—Net sales and operating revenue; employment costs; operating profit; depreciation, depletion and amortization; provision for Federal income taxes; net income, and capital expenditures are from continuing operations.
23. Interlake—Operating profit excludes minority interest (net of tax) of $3,204,000 in 1984 and $2,074,000 in 1983.
24. Interlake—Provision for Federal income taxes represents all taxes on income.
25. Interlake—Invested capital includes retained earnings.
26. Lukens—Operating profit in 1983 reflects a $4,265,000 writedown of certain Steel Group assets, which increased net loss by $2,931,000 or $.57 per share.
27. Carpenter Technology—Fiscal year ends June 30.
28. Domestic raw steel production in 1984, as reported by the American Iron and Steel Institute, totaled an estimated 91,531,609 net tons, while shipments for the industry were 73,011,759 net tons. In 1983, according to the AISI, the industry produced 84,615,000 net tons and shipped 67,583,000 net tons.
29. No overall employment costs as pct of sales has been determined because four of the companies listed have not disclosed this data.
30. No Pct change 1983 to 1984 is provided because of the inclusion of Weirton Steel Corp., which was formed in April 1983, and the absence of Wheeling-Pittsburgh Steel Corp. from this year's Financial Analysis.

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